

PARUL UNIVERSITY
FACULTY OF MANAGEMENT
MBA Summer 2018 - 19 Examination

Semester:4
Subject Code: 06201252
Subject Name: Corporate Restructuring

Date:24/04/2019
Time:10:30 am to 01:00pm
Total Marks: 60

Instructions

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

Q.1 Do as Directed.**A). Multiple choice type questions/Fill in the blanks. (Each of 1 mark)****(05)**

1. The combination of all assets, liabilities, loans and business of two (or more) companies such that one of them survives is called _____

- | | |
|-----------------|------------------|
| a) Acquisition | c) Merger |
| b) Amalgamation | d) Joint Venture |

2. Synergy includes _____

- | | |
|-------------------------|---------------------|
| a) Revenue enhancements | c) lower taxes |
| b) Cost reductions | d) All of the above |

3. This is a kind of divestiture strategy where the company's division or undertaking is separated from the parent company is called _____

- | | |
|-------------|--------------|
| a) Spin off | c) Split off |
| b) Split up | d) Spin up |

4. Which of the following is not an anti-takeover defense?

- | | |
|--------------|---------------------|
| a) Hubris | c) Golden Parachute |
| b) Greenmail | d) Scorched Earth |

5. What is the most important fundamental reason for an acquiring company to acquire a target company?

- | | |
|---------------------------------|-------------------------------------|
| a) To acquire strategic options | c) To maximize acquiring firm value |
| b) To gain economies of scale | d) To entrench management |

B). Define the following. (Each of 1 mark)**(05)**

1. Definition of LBO.

2. Employee Stock Option Plan.

3. When purchase consideration is lower than the Net Asset, than the firm has (Goodwill/Capital Reserve.)

4. Alliance between companies operating in the same business area is called _____

5. Asset based approach is a part of business valuation method? [True/ False]

C). Direct questions. (Each of 1 mark)**(05)**

1. Explain the term Demerger.
2. What is Acquisition?
3. What is the meaning of Due diligence?
4. Give any one example of Takeover.
5. Give the meaning of Split off.

Q.2 Answer the following questions.

A). Briefly explain provisions of SEBI Buyback guidelines.

(07)

B). Write a note on Joint Venture. What are advantages and disadvantages of Joint Venture.

(08)**Q.3 Answer the following questions.**

A). Explain motives behind Buy Back of Shares.

(07)

B). Discuss takeover strategy adopted by any of the acquirer firm in the market.

(08)**Q.4 Attempt any two questions. (Each of 7.5 mark)****(15)**

1. Videsh Ltd is keen on reporting earnings per share of Rs.6.00 after acquiring Swadesh Ltd. The following financial data are given:

	Videsh Limited	Swadesh Limited
EPS	Rs.5.00	Rs.5.00
Market Price per share	Rs.60.00	Rs.50.00
No of shares	1,000,000	800,000

There is an expected synergy gain of 5 per cent. What exchange ratio will result in post-merged earnings per share of Rs.6.00 for Videsh Limited

2. Ajeet Corporation plans to acquire Jeet Company. The relevant financial details of the two firms prior to merger announcement are given below:

	Ajeet company	Jeet company
Market price per share	Rs.60	Rs.25
Number of shares	300,000	200,000

The merger is expected to bring gains which have present value of Rs.4 million. Ajeet Company offers one share in exchange for every two shares of Jeet Company.

Required: a) What is the true cost of Ajeet Company for acquiring Jeet Company?

b) What is the net present value of the merger to Ajeet Company?

c) What is the net present value the merger to Jeet Company?

3. Explain any three recent acquisition or takeover bids in India.

4. What is strategic Alliance? What are benefits and weaknesses of Strategic Alliance.